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OPERATIONAL ACTIVITIES FOR DEVELOPMENT

# Activities of the United Nations Revolving Fund for Natural Resources Exploration

## Report of the Administrator of the United Nations Development Programme

SUMMARY

The Economic and Social Council will have before it a report of the Administrator of the United Nations Development Programme (UNDP) on the activities of the United Nations Revolving Fund for Natural Resources Exploration in 1991-1992. The report is submitted in compliance with Economic and Social Council resolution 1762 (LIV), paragraph 1 (o), and conforms to biennial reporting established by the General Assembly. The report provides information on programme activities, finance and management and complements the annual report of the Administrator: main programme record and UNDP-administered funds.

The financial presentation indicates the restraints imposed by the decrease in core resources, but also points to the continued support of the developing countries. Despite that decrease in core resources, the success of the Fund's efforts to assist developing countries explore their mineral resources and attract investment funds to exploit those resources should be noted. The management of the Fund was merged with that of the United Nations Fund for Science and Technology for Development in 1991. The need for new and higher levels of contributions to the Fund is brought to the attention of the Council.

* E/1993/100.

CONTENTS


| | | Paragraphs | Page |
|---|---|---|---|
| I. | PROGRAMME OVERVIEW | 1 - 3 | 3 |
| II. | PROGRAMME ACTIVITIES | 4 - 15 | 3 |
| | A. Ongoing projects | 5 - 10 | 3 |
| | B. Pre-investment follow-up activities | 11 - 13 | 4 |
| | C. Pipeline projects | 14 - 15 | 4 |
| III. | FINANCE AND ADMINISTRATIVE MATTERS | 16 - 17 | 5 |

Annexes

| | | |
|---|---|---|
| I. | United Nations Revolving Fund for Natural Resources Exploration: list of projects as of 31 December 1992, mineral sector | 6 |
| II. | United Nations Revolving Fund for Natural Resources Exploration: resource availability and utilization | 9 |
| III. | United Nations Revolving Fund for Natural Resources Exploration: voluntary contributions for 1992 and prior years | 11 |
| IV. | Non-core resources received since the creation of the United Nations Revolving Fund for Natural Resources Exploration | 12 |

# I. PROGRAMME OVERVIEW

1. The United Nations Revolving Fund for Natural Resources Exploration continued operations on a much-reduced scale compared with that of the 1980s. The successful projects, such as those of Ecuador and the Philippines, were both in production during the reporting period; and it was the latter project that provided the Fund's first replenishment. That of Ecuador on the other hand had not yet made a replenishment owing to failure to achieve 60 per cent of the rated capacity. Several other successful projects such as those of Honduras, Guatemala, Peru and Bolivia were awaiting private investment to exploit the Fund's discoveries. In that regard, the Fund concentrated on assisting those countries in attracting the investment required, and assistance was in the form of legal advice in preparing international bidding documents to stimulate the interest of private international mining companies.

2. Although the Fund did not receive the level of voluntary contributions required, the operations were cost-efficient. The increased utilization of national professionals, and local consultants and consulting firms, contributed to lower costs. In addition the merging of the United Nations Revolving Fund for Natural Resources Exploration and the United Nations Fund for Science and Technology for Development resulted in a 50 per cent reduction in staff at headquarters which was consistent with a system-wide staff reduction. Despite this, the Fund continued its operations and in 1992 discovered a gold deposit in the United Republic of Tanzania which will be drilled in 1993.

3. Several requests for assistance in mineral exploration activities in the developing countries have been received by the Fund. Unfortunately, the level of voluntary contributions was insufficient to respond positively to all requests. It is very encouraging that the developing countries support the Fund not only morally, but also financially in spite of their financial constraints. The Fund will continue its catalytic role in mineral resource development.

# II. PROGRAMME ACTIVITIES

4. During 1991-1992, pre-investment follow-up activities for the Fund's successful mineral discoveries were concentrated in Honduras, Guatemala and the Philippines. During 1992, the Fund had six ongoing mineral exploration projects and seven projects in the active pipeline. (See annex I to this report, which constitutes a list of Fund mineral sector projects as of 31 December 1992.)

## A. Ongoing projects

5. The Final Report of the Exploration for Gold in the Suches area, Bolivia, was completed and submitted to the Bolivian Government in October 1992. A reported mineral deposit was claimed that will entitle the Fund to replenishment contributions when the deposit goes into production.

6. China confirmed through the Geological Survey of Fujian Province receipt of the Final Report on the Exploration for Pyrophyllite Deposits. This successful project will generate future replenishment payments to the Fund.

7. The Government of Guatemala received the Final Report of the Exploration for Precious and Base Metals in Guatemala in September 1992. The discovery of a significant gold deposit, El Pato, is claimed in the Report.

8. The Final Report of the Exploration for Precious and Base Metals in Honduras was prepared in three parts and submitted to the Government in January 1992. Two economically viable mineral discoveries, the Yuscarán silver-gold deposit and the Quita Gana copper-zinc-lead-silver deposit, were claimed.

9. Chromite exploration in the Philippines continued with test pitting in the Mahayahay target area. A series of concentration tests were carried out to determine controlling factors in the recovery of the finest fractions of chromite. Chromite exploration was expected to be completed by March 1993. In addition, the Fund assessed additional areas offered by the Government and announced its readiness to explore for epithermal gold deposits in northern Surigao.

10. In the United Republic of Tanzania, the exploration for gold in the Canuck and Geita areas started in February 1992. Field activities were completed in the Nyamulilima Block of the Geita area and in October 1992 work was initiated in the Geita Hill Block of the same area. A gold-bearing mineralized zone was discovered measuring approximately 3 kilometres in length and 10 metres in width. Trenches were sampled and revealed grades ranging from 3 to over 10 grams per ton. Further work was planned to investigate the depth continuity of that zone.

## B. Pre-investment follow-up activities

11. The Fund's discovery of the Yuscarán silver-gold deposit in Honduras has attracted several private investors, both local and foreign. During 1992, the Fund's assistance to the Government of Honduras in follow-up activities was nearing completion. Documents for international bidding were prepared and the advertising campaign to attract international mining companies to develop the Yuscarán deposit was ready to be launched.

12. During the reporting period, the Fund's activities in Guatemala were aimed at assisting the Government in preparing the Convocatoria for publication. This call for bids to develop the El Pato gold deposit was scheduled for publication in January 1993.

13. The reimbursable loan to the Congo for the feasibility study of the offshore phosphorite deposit discovered by the Fund was due. The Fund initiated steps to collect this loan payable in accordance with the terms of the loan agreement. By the end of 1992, no payment had been received.

## C. Pipeline projects

14. Project development activities continued throughout the reporting period and the Fund responded to several requests from developing countries for assistance in mineral exploration programmes. Among the potential recipients were Guinea, Mongolia, Myanmar, Namibia, the Democratic People's Republic of

Korea, Sri Lanka and Viet Nam. Concrete proposals have been received from these countries and in the case of Guinea a request was received for assistance in the exploration for base and precious metals and diamonds. In Sri Lanka, a project to explore for heavy-mineral beach sands rich in monazite, ilmenite, rutile and zircon was scheduled for start-up in December 1992. Following a mission in October 1992 a decision was made to postpone field activities until December 1993. In Viet Nam, the Project Agreement to Explore for Zinc and Lead was sent to the Government for signature. Owing to some unexpected difficulties in defining the excluded area, the ratification of the Agreement by the National Assembly was delayed. Requests for assistance were evaluated for the following countries: the Democratic People's Republic of Korea, for hard rock and alluvial gold; Namibia, for base and precious metals; Myanmar, for base metals, gold and diamonds; and Mongolia, for gold. With a pipeline of defined projects, it is hoped that sufficient funds will become available for the Fund to support those projects.

15. The Fund has in the pipeline, geothermal projects - in Nicaragua, Costa Rica, Mexico and China - of a particularly high potential for success. However, project execution is subject to the availability of funds.

## III. FINANCE AND ADMINISTRATIVE MATTERS

16. The financial picture of the Fund is presented in annex II, entitled "United Nations Revolving Fund for Natural Resources Exploration: resource availability and utilization"; annex III, entitled "United Nations Revolving Fund for Natural Resources Exploration: voluntary contributions received for 1992 and prior years"; and annex IV, entitled "Non-core resources received since the creation of the United Nations Revolving Fund for Natural Resources Exploration". The Government of Italy has for the first time contributed to core resources, providing 1 billion lire (equivalent to US$ 896,000) in 1991 and 1 billion lire (equivalent to US$ 854,700) also in 1992. Receipt of a regular annual contribution in this amount from the Government of Italy is anticipated. Fund project expenditures from core resources amounted to $2.2 million for 1991 and $1.54 million for 1992.

17. The United Nations Revolving Fund for Natural Resources Exploration, which operates now under common management with the United Nations Fund for Science and Technology for Development, reduced its administrative expenditure from $1.44 million in 1990 to $1.09 million in 1991 and to $0.96 million in 1992. This reduction has been achieved through attrition and redistribution of work to keep vacant posts unfilled.

Annex I

UNITED NATIONS REVOLVING FUND FOR NATURAL RESOURCES EXPLORATION:
LIST OF PROJECTS AS OF 31 DECEMBER 1992

MINERAL SECTOR

| | Country | Principal target minerals | Status |
|---|---|---|---|
| A. | Pre-investment follow-up | | |
| | Philippines | Chromite | The discovery of 1-2 million tons of chromite at Bel-At Kong King was partially mined by small-scale miners. The Fund received its first replenishment from this discovery. Investment follow-up activities will ensure continued replenishment payments to the Fund. |
| | Honduras | Gold, silver | During 1991 the Fund provided legal assistance to the Government to draft bidding documents for the development of the Yuscarán deposit and to determine the best way to develop another discovery, Quita Gana, a deposit of copper, lead, zinc and silver. The Final Report (part II) on this latter property was submitted to the Government in 1991. |
| | Guatemala | Gold and base metals | Following the completion of exploration activities and the discovery of the El Pato gold deposit, the fund assisted the Government in attracting mining companies to develop the deposit. International bidding documents were prepared and the call for bids was scheduled to be published early in 1993. |
| B. | Ongoing projects | | |
| | Bolivia | Gold | Field activities were completed in 1991 with the discovery of a placer gold deposit in the Suches area, north-west of La Paz. The Final Report was prepared and submitted to the Government in October 1992. |

| Country | Principal target minerals | Status |
|---|---|---|
| China | Pyrophyllite | This project was completed with the identification of 5.5 million tons of good-grade pyrophyllite in the Donzi area and 4 million tons in the Lingli area. With Italian cofinancing, approximately 4,800 metres were drilled in a subsequent phase that was completed in 1991. The Final Report claiming a discovery was submitted to the Government in 1992. |
| Philippines | Chromite, gold | Chromite exploration in the Philippines was concentrated in the Mahayahay target area where tests were carried out to determine the recovery factors of the finest fractions of chromite. The Government has offered to the Fund additional areas with epithermal gold targets which the Fund has evaluated. |
| Guatemala | Gold, base metals | The Final Report on the El Pato gold discovery was submitted to the Government. A mineral discovery was claimed. |
| Honduras | Base and precious metals | The Final Report was submitted to the Government claiming two mineral discoveries - Yuscarán (silver-gold) and Quita Gana (copper-zinc-lead-silver). |
| United Republic of Tanzania | Gold | An agreement for exploration of gold in an area south of Lake Victoria was signed in May 1990 and ratified in September 1990. Fieldwork began in February 1992 and by December 1992 the Fund had delineated a gold-bearing zone with a strike of 3 kilometres and width of approximately 10 metres in one of three target areas. Trenches revealed grades ranging from 3 to 10 grams over an average width of 5 metres. |
| C. Project development activities: pipeline | | |
| Democratic People's Republic of Korea | Gold | In response to an official request for assistance from the Government an evaluation mission was carried out. Funding is being sought to implement a project. |

| Country | Principal target minerals | Status |
|---|---|---|
| Guinea | Base and precious metals, gemstones | An official request for assistance to explore for base and precious metals together with gemstones was received and evaluated by the Fund. |
| Mongolia | Gold | An identification/evaluatory mission was undertaken by the Fund to search for possible gold targets. |
| Myanmar | Base and precious minerals, diamonds | An official request was received from the Government for the Fund's assistance in mineral exploration. Five areas were suggested and an evaluatory mission was carried out in 1991. |
| Namibia | Base and precious minerals | The Ministry of Mines and Energy requested the Fund to send a mission to Namibia with the major objective of selecting specific exploration projects. An evaluation mission was carried out in 1992. |
| Sri Lanka | Monazite, limenite, rutile | A project to explore for heavy-mineral beach sands was approved in April 1990. In October 1992, a mission was mounted to implement field activities by December 1992. Owing to financial scheduling, the Fund postponed the start of field operations to December 1993. |
| Viet Nam | Zinc, lead | Following an evaluation mission, a project for zinc-lead exploration was selected. The project recommendation was prepared and submitted to the Government. |

Annex II

UNITED NATIONS REVOLVING FUND FOR NATURAL RESOURCES EXPLORATION: RESOURCE AVAILABILITY AND UTILIZATION

(Millions of United States dollars)

| | Actual | | | Estimated | | |
|---|---|---|---|---|---|---|
| | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 |
| I. Availability of resources | | | | | | |
| Balance as at 1 January | 5.09 | 3.98 | 5.42 | 4.24 | 3.79 | 2.27 |
| Additional resources received | | | | | | |
| Voluntary contributions | 1.06 | 0.27 | 0.04 | 0.14 | 0.25 | 0.25 |
| Cost-sharing contributions | 0.35 | 0.78 | 0.00 | 0.04 | 0.10 | 0.10 |
| Sub-trust fund contributions | 2.15 | 4.33 | 0.25 | 1.25 | 1.20 | 1.30 |
| Interest and other income | 0.47 | 0.41 | 0.34 | 0.13 | 0.10 | 0.10 |
| Transfer of income from other trust funds | 0.00 | 0.01 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 4.03 | 5.80 | 0.63 | 1.56 | 1.65 | 1.75 |
| Total | 9.12 | 9.78 | 6.05 | 5.80 | 5.44 | 4.02 |
| II. Utilization of resources | | | | | | |
| Project costs | | | | | | |
| General resources and cost-sharing | 0.65 | 0.97 | 0.49 | 0.38 | 0.80 | 0.80 |
| Sub-trust funds | 3.31 | 2.48 | 0.49 | 1.12 | 1.50 | 1.00 |
| Reimbursement of agency support costs | 0.31 | 0.24 | 0.14 | 0.10 | 0.20 | 0.20 |
| Biennial budget expenditure | 0.83 | 0.66 | 0.67 | 0.41 | 0.67 | 0.67 |
| Extrabudgetary activities | 0.03 | 0.01 | 0.02 | 0.00 | 0.00 | 0.00 |
| Total | 5.13 | 4.36 | 1.81 | 2.01 | 3.17 | 2.67 |
| III. Balance of resources as at 31 December | | | | | | |
| General resources | 3.77 | 3.44 | 2.49 | 1.92 | 1.57 | 0.65 |
| Non-core resources | 0.21 | 1.98 | 1.75 | 1.87 | 0.70 | 0.70 |

| | Actual | | | Estimated | | |
|---|---|---|---|---|---|---|
| | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 |
| IV. Resources available for further programming | | | | | | |
| General resources as at 31 December (as in III above) | 3.98 | 5.42 | 4.24 | 3.79 | 2.27 | 1.35 |
| Less: unspent project allocations | 5.17 | 2.73 | 3.77 | 2.42 | 1.00 | 0.70 |
| Balance available as at 31 December | (1.19) | 2.69 | 0.47 | 1.37 | 1.27 | 0.65 |

Annex III

UNITED NATIONS REVOLVING FUND FOR NATURAL RESOURCES EXPLORATION:
VOLUNTARY CONTRIBUTIONS FOR 1992 AND PRIOR YEARS

| Donor | Balance 31 December 1991 a/ | Additions and adjustments b/ | Collected | Balance 31 December 1992 |
|---|---|---|---|---|
| Belgium | 151 515 | 0 | 0 | 151 515 |
| Chile | 4 000 | 0 | 0 | 4 000 |
| China | 10 000 | 10 000 | 10 000 | 10 000 |
| Ghana | 0 | 2 000 | 0 | 2 000 |
| Indonesia | 10 000 | 10 000 | 10 000 | 10 000 |
| Italy | 0 | 854 701 | 854 701 | 0 |
| Japan | 0 | 1 300 000 | 1 300 000 | 0 |
| Kenya | 40 000 | 0 | 0 | 0 |
| Rwanda | 500 | 0 | 0 | 500 |
| Total | 216 015 | 2 176 701 | 2 174 701 | 218 015 |

a/ Excluding pledges made in 1991 for 1992.

b/ Including 1992 pledges.